

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 AGRE-00 /090 W

-----115730 151039Z /10

R 150810Z MAR 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2951

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 4157

STATE ALSO PASS EXIM FOR RUSSELL PRICE

HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: 1977 BALANCE OF PAYMENTS: PROJECTIONS FOR 1978

1. SUMMARY. THE 1977 TRADE DEFICIT WAS \$839 MILLION, A CONSIDERABLE IMPROVEMENT FROM THE 1976 DEFICIT OF OVER \$1.1 BILLION. EXPORTS INCREASED BY OVER 22 PERCENT, BUT THE IMPROVED BALANCE ALSO OWES MUCH TO ONLY MODESTLY INCREASED PAYMENTS FOR IMPORTS. THE CURRENT ACCOUNT DEFICIT WAS \$709 MILLION, BUT A FAT CAPITAL ACCOUNT SURPLUS MORE THAN COMPENSATED, LEADING TO AN OVERALL BOP SURPLUS OF \$164 MILLION. PROJECTIONS FOR 1978 HAVE BEEN REVISED, AND EXPECTATIONS FOR EXPORT EXPANSION SCALED DOWN SHARPLY. 1978 MAY SEE A TRADE DEFICIT BACK OVER \$1.1 BILLION, WITH A CURRENT ACCOUNT DEFICIT OF \$980 MILLION AND THE OVERALL BALANCE SLIGHTLY IN DEFICIT. END SUMMARY.

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2. CENTRAL BANK FIGURES ON THE 1977 BALANCE OF PAYMENTS DISCLOSE THAT EXPORTS WERE UP BY 22 PERCENT OVER 1976, WHILE IMPORTS INCREASED BY LESS THAN 8 PERCENT. THE MERCHANDISE TRADE DEFICIT WAS \$839 MILLION, CONSIDERABLY LESS THAN THE \$970 MILLION WHICH HAD EARLIER BEEN ESTIMATED, AND A MARKED IMPROVEMENT FROM THE 1976 DEFICIT OF \$1,117 MILLION. THE CURRENT ACCOUNT DEFICIT WAS \$709 MILLION, ALSO A MARKED

IMPROVEMENT FROM THE 1976 DEFICIT OF \$1,107 MILLION.

3. A LARGE PART OF EXPORT GROWTH WAS ACCOUNTED FOR BY COCONUT PRODUCTS: FAVORABLE PRICES CAUSED A 38 PERCENT INCREASE IN RECEIPTS OVER 1976. DESPITE POOR SUGAR PRICES, RECEIPTS FOR THIS COMMODITY WERE UP BY 19 PERCENT. EARNINGS FROM COPPER WERE STAGNANT, AND FOREST PRODUCTS DECLINED SLIGHTLY. NON-TRADITIONAL EXPORTS (NTES) DID WELL: MANUFACTURED NTES GREW BY 31 PERCENT, UNMANUFACTURED NTES BY 24 PERCENT.

4. THE RELATIVELY SLOW RATE OF IMPORT GROWTH WAS APPARENTLY RELATED TO RATHER SLUGGISH DOMESTIC INVESTMENT, AS THE PACE OF CAPITAL GOODS IMPORTS SHOWED LITTLE CHANGE FROM 1976.

5. THE CAPITAL ACCOUNT SURPLUS WAS \$1,039, SLIGHTLY LESS THAN THE SURPLUS FOR THE PREVIOUS YEAR. A LARGE INCREASE IN INFLOWS OF SHORT-TERM CAPITAL COMPENSATED FOR SMALLER INFLOWS FROM LONG-TERM CAPITAL AND DIRECT INVESTMENT.

6. THE OVERALL BALANCE OF PAYMENTS WAS IN SURPLUS BY \$164 MILLION, COMPARED WITH LAST YEAR'S DEFICIT OF \$161 MILLION.
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7. THE CENTRAL BANK HAS PROVIDED ON A CONFIDENTIAL BASIS BALANCE OF PAYMENTS PROJECTIONS FOR 1978, WHICH INCORPORATE SOME SIGNIFICANT REVISIONS FROM EARLIER PROJECTIONS.
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THE SHORT TERM CAPITAL ACCOUNT IS EXPECTED TO REVERT TO NET DEFICIT, REVERSING THE PATTERN SEEN IN 1977. THE MOST STRIKING REVISION, HOWEVER, IS IN THE TRADE ACCOUNT. IN APPARENT REFLECTION OF THE RATHER GLOOMY ECONOMIC FORECAST FROM THE INDUSTRIALIZED COUNTRIES AND THE UNPROMISING PROSPECTS FOR THE PHILIPPINE EXPORTS, PROJECTED EXPORT GROWTH HAS BEEN SCALED DOWN TO JUST 1.8 PERCENT, COMPARED TO EARLIER EXPECTATIONS OF AN 18 PERCENT GROWTH RATE. CB SOURCES ADVISE THEY EXPECT LITTLE IMPROVEMENT IN PRICE OR VOLUME. THE TRADE DEFICIT IS EXPECTED TO GO BACK UP TO \$1,150 MILLION, AND THE CURRENT ACCOUNT DEFICIT TO \$984 MILLION. AFTER A NET CAPITAL ACCOUNT SURPLUS OF \$929 MILLION, THE OVERALL BALANCE IS PROJECTED TO BE \$55 MILLION IN DEFICIT.

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TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 CIAE-00
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8. SHOWN BELOW IS A BALANCE OF PAYMENTS TABLE FOR 1976 TO
1978. ALL FIGURES ARE PROVIDED BY THE CENTRAL BANK. THE
PROJECTIONS FOR 1978 SHOULD BE CONSIDERED LOU.

BALANCE OF PAYMENTS 1976-1978
(\$ MILLION)

1976	1977	CHANGE	PROJECTED	CHANGE
	1976-77	1978	1977-78	
	(PERCENT)		(PERCENT)	

CURRENT ACCOUNT

MERCHANDISE TRADE	MINUS	MINUS	MINUS
1,117	839	1,150	
EXPORTS	PLUS	PLUS	
2,517	3,076	22.2	3,130
IMPORTS	PLUS	PLUS	
1,871	1,116	28.1	1,340

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3,634	3,915	7.7	4,280	9.3
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NON-MERCHANDISE	MINUS	MINUS	MINUS
259	131	126	

INFLOW	PLUS	PLUS
871	1,116	28.1
	1,340	19.2

OUTFLOW			PLUS		PLUS
	1,130	1,247	10.4	1,466	17.6

TRANSFERS		269	261		292
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INFLOW			MINUS		PLUS
	280	273	2.5	307	12.4

OUTFLOW			PLUS		PLUS
	11	12	9.0	15	20.0

CURRENT ACCT.

BALANCE		MINUS		MINUS		MINUS
	1,107	709		984		

CAPITAL ACCOUNT

LONG-TERM LOANS		1,040	743		928
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INFLOW			MINUS		PLUS
	1,407	1,229	12.6	1,435	16.8

OUTFLOW			PLUS		PLUS
	367	486	32.4	507	4.3

DIRECT INVESTMENTS		144	138		160
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INFLOW			MINUS		PLUS
	185	158	14.6	190	20.2

OUTFLOW			MINUS		PLUS
	41	20	51.2	30	50.0

SHORT-TERM

CAPITAL		MINUS		MINUS
	96	158		159

INFLOW			PLUS		PLUS
	1,381	1,718	24.4	1,737	1.2

OUTFLOW			PLUS		PLUS
	1,477	1,560	5.6	1,898	21.7

CAPITAL ACCT.

BALANCE		1,088	1,039		929#
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ERRORS & OMISSIONS		MINUS		MINUS
	142	166		

OVERALL BALANCE		MINUS		MINUS
	161	164		55

INCLUDING ERRORS AND OMISSIONS

NEWSOM

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
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Concepts: DATA, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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Original Previous Classification: n/a
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Review Exemptions: n/a
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Review Release Date: n/a
Review Release Event: n/a
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